

## House Resolution 1292

By: Representatives Marin of the 96<sup>th</sup>, Harbin of the 118<sup>th</sup>, Fludd of the 66<sup>th</sup>, and Mitchell of the 88<sup>th</sup>

## A RESOLUTION

1 Urging Congress to pass H.R. 3171, the "Bridging Bank to Recovery Act"; and for other  
2 purposes.

3 WHEREAS, over 7.2 million families in the United States hold subprime home mortgage  
4 loans that total over \$1.3 trillion; and

5 WHEREAS, more than 2.3 million American homeowners faced foreclosure proceedings in  
6 2008, an 81 percent increase from 2007, with homeowners with subprime mortgages most  
7 at risk; and

8 WHEREAS, African American and Hispanic borrowers are overrepresented among  
9 consumers in the subprime mortgage market and are often targeted for risky loan products,  
10 and are therefore particularly vulnerable to an increase in foreclosure rates; and

11 WHEREAS, the presence of vacant foreclosed homes has been demonstrated to lead to  
12 increases in neighborhood crime rates; and

13 WHEREAS, foreclosure-prevention programs created to provide immediate relief to at-risk  
14 homeowners have had limited success, with relatively low participation and significant  
15 redefault rates; and

16 WHEREAS, a substantial number of subprime mortgage loans will not qualify for loan  
17 modification programs currently proposed by federal agencies and mortgage loan servicers;  
18 and

19 WHEREAS, modified mortgages remain at risk if homeowners lack access to supplementary  
20 sources of traditional credit that (a) provide flexibility in meeting their financial obligations  
21 and (b) build or rebuild their credit scores, in order to be a part of the financial mainstream  
22 and positively contribute to the economy; and

23 WHEREAS, over 40 percent of Americans are estimated to have FICO credit scores below  
24 660 and are thereby considered financially underserved borrowers; and

25 WHEREAS, a lender's reporting of a mortgage loan as seriously delinquent (90 days late)  
26 or worse to credit reporting agencies will significantly lower the homeowner's credit score  
27 from such agencies, pushing even more consumers into the financially underserved category;  
28 and

29 WHEREAS, credit scores are used in a growing number of transactions and situations such  
30 as opening and maintaining a checking account, determining eligibility for employment, auto  
31 insurance, apartment rentals, connection to utilities, as well as traditional consumer credit;  
32 and

33 WHEREAS, underwriting for the financially underserved often requires customized analytics  
34 based on significant historical and individualized consumer data which is not part of  
35 traditional bank underwriting that relies heavily on credit scores designed to be broad based  
36 and not reflective of financially underserved consumers unique characteristics; and

37 WHEREAS, traditional lenders, because of their lack of focus on the financially underserved,  
38 lack the resource commitment and data availability to prudently service and effectively lend  
39 to the financially underserved; and

40 WHEREAS, nontraditional lenders have also failed to adequately meet all of the needs of the  
41 financially underserved due to their focus on certain limited products, higher funding costs,  
42 and limited regulatory transparency; and

43 WHEREAS, all forms of consumer lending are being dramatically reduced (including a  
44 lender-forced reduction in credit card lending that is estimated to reduce available consumer  
45 credit by \$2 trillion over the next 18 months), creating the unintended consequence of further  
46 disenfranchising the financially underserved from financial services; and

47 WHEREAS, without a comprehensive solution, millions of American families will be  
48 tragically consigned to permanent financially underserved status, without any clear path to  
49 rejoin the financial mainstream, further retarding the growth of the national, state, and local  
50 economies during this recessionary period; and

51 WHEREAS, since traditional methods used to service consumers with credit scores in the  
52 higher bands do not sufficiently meet the needs of the financially underserved, a separate  
53 financial institution is needed to meet the needs of the financially underserved while  
54 encouraging, educating, and supporting the success of consumers as they seek to graduate  
55 into the financial mainstream; and

56 WHEREAS, in order to create fair and equal access for essential services for many hard-  
57 working consumers, Congress should enact legislation that will establish a new type of  
58 federal financial institution designed expressly to meet the ongoing financial needs of the  
59 financially underserved, including the restructuring of subprime home mortgage loans; and

60 WHEREAS, such financial institutions should create and adopt specialized procedures,  
61 policies, programs, and simplified communications and disclosures to support their mission  
62 of helping bridge the financially underserved back to the financial mainstream; and

63 WHEREAS, on July 10, 2009, Congressman Joe Baca introduced in the United States House  
64 of Representatives the "Bridging Bank to Recovery Act of 2009" (H.R. 3171) to help  
65 stabilize and restore the economy by providing for a comprehensive banking solution,  
66 including greater access to credit for the underbanked, the unbanked, and consumers with  
67 low credit scores through the establishment of bridging bank depository institutions; and

68 WHEREAS, H.R. 3171 will facilitate the process of providing greater access to credit to the  
69 underbanked, the unbanked, and consumers with credit scores at or below 680 (the  
70 "financially underserved"); and

71 WHEREAS, H.R. 3171 will assist the financially underserved to rehabilitate their credit  
72 history and transition them into mainstream banking with greater financial literacy, better  
73 credit credentials, and access to affordable credit; and

74 WHEREAS, H.R. 3171 will encourage savings by the financially underserved, which, in  
75 turn, will help them to develop a more helpful buffer for addressing any cash flow shortfalls;  
76 and

77 WHEREAS, H.R. 3171 will facilitate the process of increasing the number of mortgages to  
78 be modified; and

79 WHEREAS, H.R. 3171 will have the effect of decreasing the number of foreclosures; and

80 WHEREAS, H.R. 3171 will assist the financially underserved establish or strengthen their  
81 relationships with a banking institution; and

82 WHEREAS, H.R. 3171 will help the economy by encouraging more responsible lending and  
83 more responsible borrowing; and

84 WHEREAS, H.R. 3171 will facilitate a process to match more closely lenders, who have the  
85 appropriate expertise and experience to properly underwrite credit facilities, with borrowers  
86 with credit scores in the lower bands; and

87 WHEREAS, H.R. 3171 will facilitate the stimulation of economic growth and benefit the  
88 economy overall; and

89 WHEREAS, H.R. 3171 will assist other traditional banking institutions by promoting  
90 referrals to Bridging Banks from other financial institutions that are not able or willing to  
91 provide those consumers access to affordable credit; and

92 WHEREAS, H.R. 3171 will allow for the creation of a new class of financial institutions  
93 whose primary mission will be to address the needs of the financially underserved.

94 NOW, THEREFORE, BE IT RESOLVED BY THE GENERAL ASSEMBLY OF  
95 GEORGIA that the members of this body urge the enactment of H.R. 3171 by Congress and  
96 the signing of the bill into law by the President in order:

97 (a) To assure comprehensive affordable financial services to the financially underserved;

98 (b) To facilitate individually focused financial literacy for the financially underserved;

99 (c) To ensure the enrollment of the financially underserved into a graduation program  
100 designed to rehabilitate their credit profile and increase their credit scores;

101 (d) To empower the financially underserved to make better financial decisions;

102 (e) To encourage a more transparent process through reports to Congress, which will allow  
103 public access by policymakers and others to provide helpful data to aid the continued  
104 improvements to financial products and services and ensure appropriate consumer  
105 protections designed to help the financially underserved;

106 (f) To encourage the financially underserved to save more to provide a buffer for cash flow  
107 shortfalls and downturns in the economy; and

108 (g) To provide a Bridging Bank to help the financially underserved more easily transition  
109 into mainstream banking services.

110 BE IT FURTHER RESOLVED that the Clerk of the House of Representatives is authorized  
111 and directed to transmit an appropriate copy of this resolution to the members of the Georgia  
112 congressional delegation.